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1031 WEST FOURTH AVE., SUITE 600
ANCHORAGE, ALASKA 99501-5907
TELEPHONE: (907) 276-4557
FAX: (907) 276-4152

HEATHER H. GRAHAME
(907) 257-7822
FAX (907) 276-4152
grahame.heather@dorseylaw.com

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December 16, 1999

Hand Delivered

Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 Twelfth Street S.W., Room 5-A325
Washington, DC 20554

Re: Alaska Rural Coalition Comments in CC Docket No. 96-45 (FCC 99-204)

Dear Ms. Salas:

Enclosed please find for filing with the FCC is the Alaska Rural Coalition's Comments in CC Docket No. 96-45. Also enclosed are five courtesy copies of the comments for the Commissioners.

If you have any questions, please contact me.

Very truly yours,

Heather H. Grahame

Heather H. Grahame

Enclosures

Federal Communications Commission

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on	)	
Universal Service:	)	CC Docket No. 96-45
Promoting Deployment and	)	
Subscribership in Unserved	)	
and Underserved Areas, Including	)	
Tribal and Insular Areas	)	

THE ALASKA RURAL COALITION'S COMMENTS IN RESPONSE TO THE FURTHER NOTICE OF PROPOSED RULEMAKING ON UNSERVED AND UNDERSERVED AREAS

Heather H. Grahame
Dorsey & Whitney LLP
1031 W. 4th Avenue, Suite 600
Anchorage, Alaska 99501
(907) 257-7822

Attorneys for the Alaska Rural Coalition

Dated: December 15, 1999

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Summary

The Alaska Rural Coalition is comprised of thirteen telecommunications companies serving some of the most remote parts of the State of Alaska. They have joined together and participated in numerous dockets before the Alaska Public Utilities Commission, and now its successor, the Regulatory Commission of Alaska, on significant issues involving telecommunications policies. As the FCC knows, rural Alaska communities are extremely isolated and, in most cases, are accessible only by air or by boat. Therefore, access to basic and advanced telecommunications services, including Internet access, is vital to rural Alaska.

While local exchange service in those parts of Alaska served by the Alaska Rural Coalition is digital and high quality, and almost every building in the areas served by the Rural Coalition has a service drop to it, many communities have penetration rates well below 100%. Several reasons depress rural Alaska's penetration rate. Most importantly, local services that residents of urban areas take for granted, such as access to a wide range of medical and government services, are virtually unavailable in rural Alaska through a local call because the local calling areas are so limited. Instead, such services are generally available only through a toll call. Toll calls in Alaska are expensive by almost any objective standard, and are prohibitively expensive for those rural Alaskans that still rely on subsistence hunting and fishing for their basic needs. As a result, some rural Alaskans simply decline taking local exchange service as it offers less value than in urban areas. Penetration rates would likely increase if universal service support were available to offset the high cost of toll calling, or if local calling areas were expanded.

Expanding federal support to offset initial service connection charges would likely increase the success of universal service in underserved areas of Alaska. The Alaska

Rural Coalition believes that the link-up program should be expanded in two ways: funding for service connection charges should be increased to help offset Alaska's high service connection costs, and funding should be available to help underwrite the high cost of line extension charges to low-income subscribers in underserved areas.

Reasonable access to the Internet is also virtually unavailable in the most rural communities in the State of Alaska. In urban areas, the Internet is now a driver of mainstream commerce and is heavily relied upon for information services. Internet access is arguably more vital in the most rural parts of Alaska than many parts of the lower-48 because of rural Alaska's remoteness and lack of adequate transportation facilities and libraries. However, affordable Internet access is virtually unavailable in most rural parts of the State because Internet access requires a toll call through a very expensive satellite link. The cost of the satellite link alone could easily result in a monthly rate of $150. This is plainly unaffordable. The Alaska Rural Coalition strongly advocates that federal universal service funds be made available to subsidize the high cost of the long-distance link needed in the most rural areas of Alaska for Internet access.

Finally, the Alaska Rural Coalition believes that state commissions, and particularly the Regulatory Commission of Alaska, should designate eligible telecommunications carriers.

Introduction

There is, perhaps, no place in the United States where access to basic and advanced telecommunications services is more important than rural Alaska. Rural Alaska is thousands of miles away from the continental United States and, in most cases, is accessible only by plane or by boat. Rural Alaska is largely inaccessible by road. The weather in Alaska is harsh, and the terrain is extreme. Together, these factors make telecommunications services vital.

Thirteen rural telephone companies in Alaska, including those that serve Alaska's most rural areas, joined together in 1996 shortly after the passage of the Telecommunications Act of 1996, to create the Alaska Rural Coalition. The Alaska Rural Coalition has actively appeared before the Alaska Public Utilities Commission, and now its successor, the Regulatory Commission of Alaska, in substantially every adjudicatory and rulemaking proceeding which has involved significant issues of telecommunications policy. These thirteen companies serve more than 90 communities and more than 90,000 access lines throughout the rural and remote areas of Alaska. Listed alphabetically, the thirteen companies are:

- Alaska Telephone Company
- Arctic Slope Telephone Association Cooperative, Inc.
- Bettles Telephone Company
- Bristol Bay Telephone Cooperative, Inc.
- Bush-Tell, Inc.
- Copper Valley Telephone Cooperative, Inc.
- Interior Telephone Company, Inc.
- Ketchikan Public Utilities

- Matanuska Telephone Association
- Mukluk Telephone Company, Inc.
- North Country Telephone Company
- Nushagak Telephone Cooperative, Inc., and
- OTZ Telephone Cooperative, Inc.

Collectively, the Alaska Rural Coalition has a presence in every region of Alaska, from the Southeastern Panhandle to the North Slope, the far-Western coast, the Aleutians, the deep Interior, Prince William Sound, the Kenai Peninsula, and the railbelt communities north of Anchorage. A map of Alaska reflecting generally where each of these companies serves is attached as **Exhibit 1**.

The Alaska Rural Coalition hereby submits its comments in response to the Commission's Further Notice of Proposed Rulemaking released September 3, 1999 ("FNPRM"). The Alaska Rural Coalition appreciates the FCC's comprehensive inquiry into universal service issues and unserved as well as underserved areas. Such an inquiry is timely and necessary.

I. Current Levels of Deployment and Subscribership

In issuing the FNPRM, this Commission seeks a better understanding of the characteristics of unserved and underserved areas and the specific factors causing unusually low subscribership rates and preventing deployment of telecommunications services. FNPRM at ¶ 11. Accordingly, this Commission has requested commenters to provided detailed information, to the extent possible, on penetration rates in high-cost areas and any other area considered to be underserved.[1] Id. at ¶ 13. This Commission

[1] "Penetration rate" means the percentage of households within a specified area that have telephone service in the housing unit. FNPRM at ¶ 13.

has also asked commenters to provide empirical evidence, in addition to anecdotal evidence, to the extent possible to support their comments and to describe how and with what difficulty that information was collected. Id. at ¶ 13.

The FCC also seeks to determine the nature of the telecommunications services available and the costs of such services. Id. at ¶ 14. The FCC seeks information in particular as to whether certain services, such as Internet, are provided and the monthly rates. Id. The purpose of this inquiry is to identify impediments to further delivery of telecommunications services and to solicit potential solutions. Id. at ¶¶ 20-21. Finally, this Commission seeks comment on what specific steps it can undertake to increase deployment of telecommunications services in rural areas.

To respond to the FCC's concerns, the Alaska Rural Coalition has polled its members on these issues, focusing primarily on the availability of basic local telephone service to every subscriber and how to increase deployment of telecommunications services in rural areas. As discussed in greater detail below, the Alaska Rural Coalition has concluded that:

- Every member of the Alaska Rural Coalition provides digital, single line service. There are no multiparty lines.
- All residents who live in the core of a village served by the Alaska Rural Coalition have access to high-quality, basic local telephone service.
- Some residents that live miles away from the core of a village in rural Alaska may not have access to basic local telephone service because of the high cost of extending service to the extremely remote location.
- Most local exchange calling areas in rural Alaska are extremely small and unacceptably limited.

- The key telecommunications issue in rural Alaska that requires redress from the FCC focuses on the fact that many services are accessible only through interexchange (toll) service while those same services in the urban parts of Alaska are accessible through local telephone service. Because most of Alaska's intrastate toll calling is satellite-based, accessing those services, such as the Internet, is very expensive and therefore frequently inaccessible. As a result, rural Alaska does not have access to services comparable to those in urban areas of Alaska at comparable rates.

a. Alaska's Rural Local Exchange Service is State of the Art but the Calling Area is Unacceptably Limited

The Alaska Rural Coalition's member companies all provide single-party, digital service.[2] They all offer the required nine services in order to qualify as Eligible Telecommunications Carriers (ETCs) for purposes of universal service funding.[3] They all provide enhanced features such as custom calling and voice mail. In addition, some members of the Alaska Rural Coalition have deployed Digital Subscriber Line (DSL) technology and others are in the process of deploying it.

However, unlike many other parts of the United States, most of rural Alaska's local calling areas have tiny populations and few amenities. Although relatively concentrated within their core areas, the rural villages are typically isolated. This is reflected in the aerial photographs reprinted in **Exhibit 2**.

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[2] In some of the most remote areas of some companies, local service is provided through fixed cellular or BETRS technology.

[3] These services are single party service; voice grade quality; touch tone dialing; emergency 911; operator assistance; long distance access; lifeline/link-up; and toll restriction.

While most villages typically have at least one health aide, one or two small stores (with extremely limited selections), a post office, and a tribal office, there are virtually no physicians, no grocery, supermarket or general merchandise stores, no police, and no significant government facilities. Necessary amenities and services that residents in urban areas assume are part of their local calling area, such as a choice of physicians, dentists, orthodontists, pediatricians, physical therapists and other medical providers, attorneys, cultural and entertainment facilities, banking and business services and, importantly, government offices, are virtually unavailable in Alaska's rural areas. In rural Alaska, access to these services almost always requires a toll call. Rural Alaskans are therefore very heavily dependent on intrastate toll services.

And, rather than being delivered by fiber optics or other wireline technology, intrastate interexchange toll service in rural Alaska is generally delivered by satellite. Satellite links are generally less reliable and more costly than calls delivered by copper or fiber optics. Satellite calls are usually of inferior quality, as they can involve multiple hops leading to echoes and other undesirable consequences.[4]

[4] Calls involving a single hop are transmitted from the rural caller's home to the local exchange carrier, handed off to the IXC's earth station in the rural area, and then up to a satellite. The call is switched in the satellite, and sent down to an IXC earth station in the receiving party's community, and then handed off to the LEC and delivered to the receiving party. Calls involving a double hop are also transmitted from the rural caller's home to the LEC, handed off to an IXC earth station and sent to a satellite. However, instead of being switched in the satellite, these calls are sent to an earth station in Anchorage, Fairbanks or Juneau where the call is switched. The call is then sent back up to the satellite and down to an IXC's earth station in the receiving party's community, handed off to the LEC, and finally carried to the receiving party.

b. Penetration Rates.

To respond to the FCC's questions regarding penetration rates, the Alaska Rural Coalition first verified that its member companies' have constructed the necessary plant and facilities to provide local exchange service to every dwelling in their services areas other than those very remote cabins and homesteads far from existing facilities. That is, virtually every habitable dwelling in the smallest of Bush villages[5] has a service drop to it. Copies of the as-builts of Arctic Slope Telephone Association Cooperative, Inc. ("ASTAC") are attached as **Exhibit 3**, and reflect relatively densely packed, small communities with distribution plant and a service drop to each building. This is characteristic of every community served by the Alaska Rural Coalition.

The Alaska Rural Coalition next sought to determine the penetration rate in each of its member companies' communities. As a first step, the Alaska Rural Coalition roughly estimated each community's penetration rate by dividing the current number of residential access lines in each community by the number of households reported in the 1990 census. This initial calculation yielded penetration rates in excess of 100% for some communities with others in range of 50%. These rough estimates were skewed by at least three factors: (1) the growing presence of second lines to homes; (2) the fact that many homes have business lines instead of residential lines; and (3) outdated house counts. These factors are discussed below.

Customers throughout the United States now want second lines for a variety of reasons, including Internet access and teen lines. This trend is also characteristic of some of the larger communities in the areas served by the Alaska Rural Coalition. The presence of second lines skews the penetration rates upwards and can result in

[5] "Bush" Alaska refers to extremely small rural communities.

communities appearing to have a penetration rate in excess of 100%. Second line estimates were available in the communities where they were obviously responsible for skewed penetration rates. The Alaska Rural Coalition recalculated these communities' penetration rates by removing the second lines from the calculations.

Calculating penetration rates using only residential access lines, however, yields inaccurate penetration rates. In rural Alaska, many residents have only a business line in their home and do not take residential service. The Alaska Rural Coalition's member companies' tariffs require residents to subscribe to business lines when the residents operate a business from their home. Therefore, calculating penetration on the basis of only residential lines yields artificially low penetration rates.

Cold Bay underscores this point. Cold Bay is a small community on the Alaska Peninsula served by Interior Telephone Company; it has 41 residential lines and 49 business lines. There are not 49 stand-alone businesses in Cold Bay. Businesses are generally operated out of homes and the people rely on a single business line for both their residential and business needs.[6] Therefore, residents who are served through business lines all have access to telephone service, but that access is not reflected in the Cold Bay penetration rate because that rate was calculated using only residential lines.[7]

The third factor skewing the roughly estimated penetration rates is the outdated information of households in each community. The number of households per

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[6] Cold Bay's penetration rate is also affected by the Federal Aviation Administration's role as a significant employer in Cold Bay. The FAA installs telephones for its rotational employees, and the FAA generally installs business lines.

[7] Unalaska is yet another example. Unalaska is a thriving fishing community in the Aleutian Islands. Interior Telephone Company serves Unalaska. Unalaska has a population of approximately 4,178. It has approximately 975 residential lines and 1,162 business lines. Many residents are fishermen who operate their business from their home; that business line serves both residential and business purposes.

community was taken from the 1990 census. Except where more recent house count information was available for communities, or house count information could be adjusted for known variables such as community growth, the penetration rates derived from this data are likely well off the mark as the calculations are based on outdated 1990 census data.

Despite these limitations, the Alaska Rural Coalition has attached as **Exhibit 4** its calculation of the penetration rates for its members' communities using the methodology and adjustments noted above.[8] As has been noted, these penetration rates are artificially low as they do not take into account the installation of business lines that function as residential lines, and they rely on the 1990 census for house counts.[9]

However, there are two related reasons that undoubtedly discourage telephone subscribership in rural Alaska. First, is the significant use of CB radios in rural Alaska. Many rural Alaska residents use CB radios as a village public address system, announcing plane arrivals, choir practice, village news and the like. Therefore, some rural residents simply do not see a need to subscribe to local telephone service.

Second, local service calling areas in rural Alaska are extremely limited which results in high monthly toll charges for most rural subscribers. As stated earlier, key medical, government, and other services are not available in rural local exchange calling areas. Instead, calls to hospitals, doctors, government services, libraries, and public safety departments are usually always a toll call. Toll service is expensive. The best available plan for in-state residential calling costs approximately 14 cents per minute plus a small monthly fixed charge. Not only is this a high per minute rate compared to rates in

[8] **Exhibit 4** also reflects the monthly residential rate for each of these communities.

[9] And, as noted above, second lines were removed from the calculations where they obviously skewed the penetration rate.

urban areas, but it is prohibitively expensive for most rural Alaskans, many of whom live below the poverty level and still rely on a subsistence economy. Without a doubt, the relatively high cost of toll service depresses penetration rates.

II. Universal Service Support Should be Available to Offset the High Cost of Toll Calling or Local Calling Areas Should be Expanded

The weakness in Alaska's telecommunications infrastructure is not the local exchange link which, as indicated above, is digital, single-line, and promotes advanced services. The weakness in Alaska's telecommunications infrastructure is: (1) its extremely limited local calling area, and (2) its concomitant reliance on expensive intrastate toll calling. In rural Alaska, intrastate toll service is required to access basic government and medical services as well as other important telecommunications services that are local services in urban areas. Because such services in rural Alaska require a toll call, such services are offered only at rates well above those offered in urban areas.

a. Alaska's Unacceptably Limited Local Calling Areas.

Paragraph 122 of the FNPRM seeks comment on the extent to which limited local calling areas impose a barrier to increased penetration in certain underserved areas. As demonstrated earlier, the typical local calling area in rural Alaska consists of a relatively dense core area of subscribers who are extremely isolated from other communities. That is, Alaska's rural areas typically involve a small village of several hundred people or less, living in close proximity to one another, but hundreds if not a thousand miles from urban centers such as Anchorage, Fairbanks or Juneau. A wide variety of medical, dental, legal, accounting, government services, and other amenities are available only in more urban areas of the State and to a lesser degree in small regional hubs such as Kotzebue,

Nome, Bethel, and Barrow. The limited local calling areas impose a barrier to increased penetration because toll rates are relatively high and many rural subscribers cannot afford them. Many rural Alaskans still rely on a subsistence lifestyle, fishing or hunting for their food. They simply do not have the economic means to pay high monthly toll bills for essential calls. As such, the extremely limited and unacceptably small local calling areas are inconsistent with universal service principles.

And, as the FCC itself noted in its May 8, 1997 Report and Order, CC Docket No. 96-45, FCC 97-157, ¶114 (rel. May 8, 1997), when a local calling area is small, toll charges can greatly increase a subscriber's expenditure on telecommunications service. When village residents live in such close proximity to one another, local telephone service has less value than in urban areas, particularly when a CB radio can substitute in many ways for local telephone service. Local telephone subscribership would very likely increase if there was additional support for toll calling to offset the limitations associated with extremely small local calling areas.

b. Expanding Link-Up to Include Facilities-Based Charges.

This Commission seeks comment on whether increasing federal support to offset initial connection charges may be necessary to increase the success of universal service support mechanisms in underserved areas. (FNPRM at ¶119). More specifically, the Commission references a proposal submitted by the Arizona Corporation Commission designed to address the problem of unserved areas and the inability of low-income residents to obtain telecommunications services because they cannot afford to pay the required line extension or construction costs. The FCC expresses concern as to how

widespread the problem identified by the Arizona Commission might be and has requested comments on this issue.

The Alaska Rural Coalition believes that expanding the link-up program in two ways would increase penetration rates for underserved locations in Alaska. First, the Alaska Rural Coalition supports the general proposal submitted by United Utilities, Inc. that provides for expansion of the link-up program to increase the funding for service connection charges. Second, the Alaska Rural Coalition urges the creation of an additional funding mechanism to help underwrite the high costs of line extension charges to low-income subscribers in underserved areas.

i. Service Connection Charges.

At the November 3, 1999 public meeting held by the Regulatory Commission of Alaska to obtain public and industry comments on this FNPRM, United Utilities, Inc. presented a proposal whereby the link-up program could be enlarged to provide up to $100 for recovery of hook-up/connection costs to qualified low-income subscribers. The Alaska Rural Coalition supports this proposal and believes that the high connection costs in rural Alaska present a significant financial barrier to low-income Bush residents subscribing to telecommunications service. The Alaska Rural Coalition believes that this change can be made by a relatively straightforward addition to the existing link-up program.[10] In general, service connection charges in Bush Alaska are quite high, and the existing $30 discount, although helpful, is not sufficient to eliminate the financial barriers faced by many low-income residents in obtaining telecommunications service.

[10] The existing link-up program is currently limited to a 50% discount on initial connection charges up to a maximum of a $30 discount.

ii. Federal Support for Line Extension Charges.

The Alaska Rural Coalition also supports the concept put forth by the Arizona Commission whereby federal support assists low-income residents in unserved and underserved areas in obtaining telecommunications service where existing facilities do not currently exist and a line extension is required. In Bush Alaska, facilities have been constructed to provide local exchange service to virtually all habitable dwellings in the core areas of even the smallest villages. However, there remain many areas in the Bush where homesteads and cabins are far from existing distribution plant and can be served only through line extensions or wireless technology. Generally, residents of those areas have little income and live subsistence lifestyles. For these residents, federal assistance for line extensions is necessary and would help ensure that universal service goals are fulfilled.

Federally funded line extensions in rural areas could be a very expensive undertaking. As a cost containment measure, the Alaska Rural Coalition believes that it would be appropriate to establish an annual fixed annual dollar amount to fund line extensions. That amount could be distributed to qualified carriers on a "first-come first-serve" basis. The distribution of funds should be limited to locations where penetration rates are below acceptable levels and to residents who have extremely low incomes. Further limitations or caps could be put on the amount of support provided for each line extension to ensure that carriers do not undertake unreasonable extensions. Finally, additional limitations could be placed on the number of line extensions made available to any telecommunications carrier in any one year. These criteria and safeguards would help ensure that the fund is maintained at a reasonable level, yet is available to provide service in previously unserved and underserved areas.

c. Internet Access.

While Internet access is typically available through local service in urban areas of the country, that is not the case in rural Alaska. Internet access requires either a toll call or results in very expensive Internet service because of the toll connection required by the rural ISP to a regional or urban area.[11] This was a focus of the Alaska Rural Coalition's presentation at the Regulatory Commission of Alaska's November 3, 1999 hearing on the FCC's FNPRM. The Alaska Rural Coalition's comments on this issue were provided by Mr. Doug Neal, the General Manager of OTZ Telephone Cooperative, Inc. in Kotzebue, Alaska, and the CEO of OTZ Telecommunications, Inc., a wholly-owned subsidiary of OTZ Telephone Cooperative. OTZ Telephone Cooperative provides local exchange telephone service in the regional hub of Kotzebue and in ten outlying villages as well as the Red Dog mine. Kotzebue has 1,887 access lines and the outlying villages have a total of 1,145 access lines. None of the outlying villages has over 179 access lines. OTZ Telecommunications provides cellular service, Internet service and long-distance service in Kotzebue.

As Mr. Neal testified, Internet access may have been a luxury in the past, but is now a commercial and educational necessity. The Internet is especially important in rural Alaska because rural Alaska's remoteness and its lack of adequate transportation facilities, libraries, and other amenities. In rural Alaska, electronic communications is essential.

Internet service in and around Kotzebue, like most rural parts of the State of Alaska, is delivered by satellite. The cost of providing Internet service includes: (1) the

[11] In most rural areas, there are no local ISPs. Therefore, Internet access requires a toll call. In those very few rural areas where local ISPs exist, the Internet is still very expensive because of the additional satellite toll connection required by the ISP to an urban area to ultimately connect with the Web.

cost of the toll connection between the village and Kotzebue, (2) the cost of the toll connection between Kotzebue and Anchorage, and (3) the cost of ISP hardware and software. The cost of the satellite connection between the village and Kotzebue alone is approximately $1,500 per month.

In Kotzebue, toll costs are spread over several hundred Internet users, and results in OTZ charging a monthly rate of about $45 for Kotzebue Internet users, which is well above the national average monthly charge for Internet access. However, the communities surrounding Kotzebue are much smaller and the costs of Internet service must therefore be spread over much smaller groups. Noatak, for example, has 117 subscriber lines and Shungak has only 80. If either one of these communities had only 10 or so Internet subscribers, Internet access in these communities would require a monthly rate of approximately $150 just to cover the cost of the 56 kbps satellite circuit connecting each village with Kotzebue. This is plainly unaffordable, particularly in rural Alaska.

In urban Alaska, as in most parts of the United States, Internet service is available through local access. That local call allows the Internet user to access sites throughout the country and the world without having to pay additional long distance charges. In rural Alaska, however, Internet users must pay additional long distance charges to access the Internet and those long-distance charges are based on an expensive satellite circuit. The net result is that Internet access is so expensive that, for all practical purposes, it is unavailable to subscribers in Alaska's most rural areas.

The lack of affordable Internet access is a shared problem among the Alaska Rural Coalition member companies. Consequently, the Alaska Rural Coalition strongly advocates that federal universal service funds be made available to support Internet

access in rural Alaska. Specifically, universal service funding should be used to subsidize the high cost of the long-distance transportation link needed in the most rural areas of Alaska for Internet access. The use of federal universal service funds could be modeled on the rural health care service paradigm by which universal service funds effectively eliminate the distance disadvantage for rural health care providers.

Using federal universal service funds to offset the costs of the long-distance link required for Internet access in rural Alaska will alleviate the problem of unaffordable Internet access in rural Alaska. This solution is also consistent with the Telecommunications Act of 1996. In the Telecommunications Act of 1996, Congress stated that universal service is an *evolving* level of service. 47 U.S.C. § 254(c)(1). Congress thus recognized that changes in the application of federal universal service funds would be required over time as the nature and importance of various telecommunications services changes. Congress also established certain principles to guide the FCC in determining which services to support. The principle directly at issue here is codified in Section 254 (b)(3) of the Act:

> • ACCESS IN RURAL AND HIGH COST AREAS. – Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

Plainly, subscribers in OTZ's service area in particular, and throughout rural Alaska in general, do not have access to "information services" that are reasonably comparable to those provided in urban areas and at rates reasonably comparable to rates

charged for similar services in urban areas. In urban areas, reasonable Internet access is routinely available within a local calling area. In rural Alaska, Internet access is available only through an expensive long-distance satellite link. The result is that rural Alaska subscribers do not have access to information services, as Congress envisioned. Using federal high cost support to offset the cost of the satellite link would enable Alaska's most rural subscribers to have voice-grade, dial-up access to affordable Internet service, consistent with the principles set forth under Section 254(b)(3).

The FCC concluded in 1997 that it would not provide high cost support for Internet access. FCC Report and Order, Federal-State Joint Board on Universal Service, CC Docket No. 96-45 (FCC 97-157) at ¶ 83. However, the rationale for that decision is not inconsistent with the Alaska Rural Coalition's position here. At ¶ 83, the FCC stated that Internet access includes two components: (1) a voice grade network transmission component comprised of a local exchange connection from a subscriber to an Internet Service Provider; and (2) the underlying information service. The FCC's May 1997 decision not to support Internet access rested principally on its conclusion that no need had been shown to support higher quality access links than voice grade access. The FCC noted, in particular, that the record did not indicate that a substantial majority of residential customers subscribed to Internet access by using access links that provide higher quality than voice grade access.

Critically, the Alaska Rural Coalition is *not* advocating universal service support for *higher quality* access links than *voice grade, dial-up service*. The Alaska Rural Coalition merely seeks the parity pledged by Section 254(b)(3) of the Act. Parity, here, is reasonably priced Internet access *via* voice grade, dial-up service. As it is, rural Alaskans can only access the Internet through a long-haul interexchange satellite connection which,

because of its significant cost coupled with the very small number of subscribers in rural communities to pay for that link, makes Internet access unattainable as a practical matter.

Moreover, the use and societal value of Internet service has changed significantly in the two and one-half years which have transpired since FCC Order 97-157 was issued. In that time, Internet usage has increased dramatically and the Internet has become a vital element of commerce and information resource. Over *half* of the *entire adult population* uses the Internet. NUA Internet Surveys, November 10, 1999 (**Exhibit 5**).[12] Of those Americans who use the Internet at home, over 44% do so to research or obtain information. USA Today, November 9, 1999, citing ORC International for PriceWaterhouseCoopers (**Exhibit 6**). And, the Internet's extraordinary role in society was recently acknowledged by FCC Chairman William Kennard in his remarks to the National Association of Telecommunications Officers and Advisors, where he stated that the Internet is "changing every aspect of our lives"... and "is a fundamental paradigm shift in the way that we live." Remarks by William E. Kennard, Chairman, FCC, "Consumer Choice Through Competition" (September 17, 1999)[13]. And, the FCC Cable Services Bureau Chief recently emphasized that an FCC goal is to encourage the market to bring high-speed Internet service to all American homes. FCC News Release, November 9, 1999 (emphasis added).[14] The high cost of satellite circuitry should not deprive rural Alaskans of what has become a mainstream telecommunications and information service. Indeed, Section 254(b)(3) does not permit this, and rural Alaskans' inability to obtain affordable Internet access must be remedied.

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[12] See http://www.nua.ie/surveys/index/cgi.

[13] See http://www.fcc.gov/Speeches/Kennard/spwek931.html.

[14] See http:www.fcc.gov/Bureaus/Cable/News_Releases/1999/nrcb9018.html).

The existing Rural Health Care Program, which subsidizes the cost of the long-distance link, is an appropriate paradigm here. Just as the cost of rural telemedicine in Alaska is burdened by an expensive satellite link, and parity between rural and urban medical facilities will be achieved through subsidizing that link, parity between urban and rural Alaskan residents for voice-grade, dial-up Internet access can be achieved by subsidizing the very same satellite link.

III. Designation of Eligible Telecommunications Carriers

In Section IV, Paragraphs 73-82, of the FNPRM, the FCC seeks comment on effectuating Congress' intent set forth in statutory provisions designating eligible telecommunications carriers ("ETC") for purposes of receiving universal service funds. Section 214(e)(2) provides that state commissions have primary jurisdiction for designating ETCs, while Section 214(e)(6) provides that the FCC has jurisdiction for designating ETCs where state commissions do not have jurisdiction. In Paragraph 82, the FCC acknowledges, in particular, the difficulty in determining in some circumstances which statute applies and how to reconcile them without causing needless delay and controversy. In that same paragraph, the FCC sets forth a proposed process for treating applications for the FCC's designation of ETCs.

The Alaska Rural Coalition agrees that there must be a uniform procedure for such designations. Otherwise, as the FCC concedes, the opportunity for a jurisdictional morass with its attendant delay and confusion, will only undermine efforts to achieve universal service goals.

With these principles in mind, the Alaska Rural Coalition believes that state commissions generally, and the Regulatory Commission of Alaska in particular, should

designate ETCs. It is well recognized that Alaska's telecommunications issues are unique. Alaska's geography, climate, economics, demographics and terrain present obstacles to ensuring that all Alaskans, including those in the most rural parts of the state, have access to basic and advanced telecommunications and information services at rates comparable to those offered in urban areas. The Regulatory Commission of Alaska ("RCA") is comprised of commissioners and staff who have developed substantial expertise in Alaska telecommunications issues. The RCA is in the best position to make ETC designations and to determine what is in the public interest. Moreover, any factual dispute involving ETCs will require a hearing. A wide range of public and industry participation in such hearings is less likely if any such hearing is held in Washington D.C., which is 4,000 miles away, than if such hearings are held in Alaska.

For these reasons, the Alaska Rural Coalition believes that the FCC's proposed process set forth in Paragraph 82 of the FNPRM for treating applications for the FCC's designation of ETCs is important. The Alaska Rural Coalition provides the following comments regarding that process. First, where a carrier and the state agree that the state commission has jurisdiction to designate the ETC, the FCC should as a policy matter decline to exercise jurisdiction and allow the state commission to conduct the designation proceeding. The FCC should adopt and articulate this policy in its proposed process. Second, the Alaska Rural Coalition agrees with the FCC's proposed procedure whereby the carrier seeking ETC designation from the FCC must demonstrate why designation by the FCC is appropriate.

As a practical matter, the Alaska Rural Coalition believes that there will be few jurisdictional disputes in Alaska over whether the RCA or the FCC designates an ETC. Carriers seeking ETC designation will generally seek certification from the Regulatory

Commission of Alaska as local exchange carriers. The nine supported services that currently define universal service are local exchange services. The provision of local exchange service is an intrastate matter, subject to the determination of state commissions. Therefore, nearly every carrier seeking ETC designation in Alaska will be within the RCA's jurisdiction.

Moreover, many commercial mobile radio service ("CMRS") providers will unquestionably be subject to RCA jurisdiction. States may regulate certain terms and conditions of CMRS providers (other than the entry of or the rates charged). 47 U.S.C. § 332(c)(3)(A). Wireless carriers may also come within state jurisdiction for a variety of reasons, including if they function as a substitute for land line telephone exchange service. 47 U.S.C. § 332(c)(3)(A).

In addition, given how few tribal reservations exist in Alaska, disputes over whether the FCC or the State Commission has jurisdiction over ETC designations on tribal lands will be rare. In fact, even in Metlakatla, one of Alaska's few reservations, GTE Alaska sought and was granted ETC designation by the Alaska Public Utilities Commission. See Order Granting Eligible Carrier Status, Docket No. U-97-168(1) (grant of ETC status to GTE in its certificated service area which, based on GTE's application for ETC designation, includes Metlakatla).

Therefore, it is the Alaska Rural Coalition's position that there will be few jurisdictional disputes in Alaska over whether the RCA or the FCC has jurisdiction to determine whether a carrier should be designated an ETC. However, given each state's unique characteristics, and particularly Alaska's, the FCC should decline to exercise jurisdiction in any case where a state commission also has jurisdiction. And, a carrier seeking FCC jurisdiction should be required to demonstrate why the state commission

does not have jurisdiction. These procedures should minimize delays and controversies that could result absent a uniform policy for the designation of ETCs.

IV. Tribal Lands

At Paragraph 42 of the FNPRM, the FCC seeks comment on the extent of tribal regulation of telecommunications provided on tribal lands. The FCC is seeking comment on particularized measures it might implement on tribal lands to increase subscribership. A threshold issue is jurisdiction, and the FCC seeks comment specifically, on the jurisdictional treatment of Alaska Native Regional Corporations.

The Alaska Rural Coalition does not believe that Alaska Native Regional Corporation lands need to be designated tribal lands for purposes of universal service funding. The FCC's willingness to alter its universal service rules arises primarily out of its belief that that tribal lands are unserved. FNPRM at ¶33. In Alaska, communities are well served with state of the art, digital local service. And, of course, the Alaska Native Claims Settlement Act extinguished aboriginal title and created for-profit corporations. Therefore, apart from the Metlakatla reservation, the federal government does not have the same extensive superintendence over tribal lands in Alaska as it does on tribal lands in the lower-48. Alaska telecommunications providers serve all rural residents regardless of whether they are Native or non-Native. Therefore, the Alaska Rural Coalition believes that the Regulatory Commission of Alaska should remain the governing entity regulating all intrastate telecommunications service in Alaska.

Conclusion

The Alaska Rural Coalition supports the FCC's inquiry into unserved and underserved areas. Rural Alaska's local telephone service is high quality, and virtually

every building has a service drop to it. Nevertheless, many communities have penetration rates well below 100%. Although it is unclear what the actual penetration rates are, the extremely limited calling area and the high cost of toll service undoubtedly depress penetration rates. The Alaska Rural Coalition strongly urges the FCC to allow federal universal service funds to offset the high cost of Internet access to rural Alaska. Such support is required for residents of rural areas to have access to telecommunications and information services comparable to those in urban areas and at comparable rates. Universal service support should also offset the high cost of toll service, which is necessary for rural Alaskans to access doctors, dentists, accountants, lawyers, and government services. Local access to these important services is virtually unavailable in Bush Alaska's extremely limited local calling areas. Universal service support should also offset the cost of line extensions. Finally, the Alaska Rural Coalition strongly believes that in every instance possible, state commissions and particularly the Regulatory Commission of Alaska should designate ETCs.

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DORSEY & WHITNEY LLP

By: Heather H Grahame

Heather H. Grahame
Dorsey & Whitney LLP
1031 W. 4th Avenue, Suite 600
Anchorage, Alaska 99501
(907) 257-7822

Attorneys for the Alaska Rural Coalition